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SUBJECT: SCENESETTER FOR HAGEL CODEL TO KOREA

Classified By: CDA William A. Stanton. Reasons 1.4 (b,d).

SUMMARY

¶1. (SBU) Despite a successful summit last month with President Bush, President Roh continues to face criticism in the press and even within his own party. Roh still has 15 months in office, but it is widely believed he is already a "lame duck". Nonetheless, he must still address a number of key issues at the forefront of bilateral relations with both the U.S. and North Korea. Roh's legacy will rest on his ability over the coming months to successfully transfer wartime operational control to the Korean military (OPCON), conclude the U.S.-Korea Free Trade Agreement (FTA), renew talks with North Korea, and reinvigorate the 6-Party process.
END SUMMARY.

PRESIDENT ROH

¶2. (SBU) Roh hoped that a successful summit on September 14 with President Bush would go a long way in increasing domestic support for his leadership and his policies. The Korean press, however, decided there was a definite lack of substance in the summit and therefore all of the major newspaper reported the meeting from a negative angle. Even on the day of his 60th birthday, a significant milestone in Korean culture, there was little to no fanfare in the media or on the streets.

NORTH KOREA

¶3. (C) During the Summit, President Bush and President Roh agreed that a diplomatic solution still offered the best path forward, and that U.S.-ROK discussions of a common and broad approach toward the DPRK should continue. Even as we work with the ROK and our other allies to implement UNSCR 1695, we are engaging with the South Koreans on a diplomatic strategy toward the North. There is genuine risk that President Roh, in an effort to secure his legacy during the final year of his presidency, might go it alone if he concluded that the U.S. had given up on a diplomatic solution to the North Korean nuclear issue. This could seriously damage our Alliance, not to mention our efforts to denuclearize the North. Finally, President Bush and President Roh were united

in warning the DPRK against a nuclear test. It is our hope that the DPRK understands that such a provocative action would result in a fundamental change in regional dynamics and inter-Korean relations.

OPCON

¶4. (SBU) The decision to transfer OPCON to the ROK and the deadline for doing so continue to generate widespread opposition. President Roh has been unsuccessful in countering strong opposition from policy elites, retired military officers, and the public at-large. Many fear that transfer of OPCON effectively means U.S. "abandonment" of the ROK. Many MND, MOU and MOFAT officials, and members of the Defense Committee at the National Assembly who distrust the Roh Administration, have also voiced concerns over potential instability on the Peninsula, and possible damage to the Alliance following the OPCON transfer.

¶5. (SBU) In addition, some critics question the ROK's ability to assume wartime OPCON. Others doubt the National Assembly will approve the sizable increases in defense spending that the transfer will require. We have stressed our assessment that the ROK is ready for OPCON and have reiterated the U.S. Government's strong, long-term commitment to the ROK. Many nonetheless seek clarification of our offer to provide "bridging capabilities." Timing appears to be the most problematic aspect of the issue, because of the politics of the upcoming ROK presidential election in December 2007, as well as worries that now is not the time given DPRK missile launches and a possible nuclear test. DOD wants the transfer to take place in 2009, while the ROK is pressing for

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¶2012.

¶6. (C) In recent weeks Korean opposition to the OPCON transfer has included:

- All the former South Korean defense ministers.
- 70 of 100 retired four-star generals in the ROK.
- 160 former diplomats, including 3 foreign ministers.
- The "Hope 21" group of moderate Uri Party lawmakers.
- The opposition Grand National Party of Korea.
- The Chair of the National Assembly's Defense Committee.
- 10 military academy alumni organizations.
- The Korean Veterans Association.

We continue to hope that at the October Security Consultative Meeting in Washington a roadmap for the transfer of wartime OPCON transfer will be concluded. In last week's Security Policy Initiative talks at the Pentagon, little progress was made toward a bilateral agreement on OPCON.

JikDo Range

¶7. (SBU) Kunsan Mayor Moon Dong-shin announced on September 25 that his city had approved the ROKG request to use land and sea territory under their jurisdiction, clearing the way for U.S. forces' use of the Jikdo air to surface training range. The Ministry of National Defense stated that it would immediately begin construction to install a scoring system by the end of this year. USFK requested installation of the scoring system in 2005. So the Kemper Decision removed this irritating issue from the agenda. The scoring system will allow U.S. pilots to meet their training requirements. Once the installation is complete, usage of the scoring system by the respective Air Forces of ROK and USFK will be 70 (ROK) to 30 (USFK), versus 80:20 in the past.

FREE TRADE AGREEMENT

¶8. (SBU) Our biggest economic priority by far is our Korea-U.S. Free Trade Agreement (KORUS) negotiations. FTA negotiations were announced in February and launched in June;

you will be arriving two weeks before our fourth negotiating round, on the Korean island of Jeju. Korea is already our seventh largest trading partner, and we are Korea's second largest, after China. But most economists agree there would be significant gains for both countries from an FTA: boosting exports in both directions; increasing each country's global competitiveness (especially as Korea ponders how to cope with the rise of Chinese competition); and enhancing consumer welfare, particularly in Korea where high tariffs make the cost of living exceedingly high (one recent survey named Seoul the second most expensive city in the world, after Oslo).

¶9. (SBU) These complex negotiations will not be easy. For the United States, this is the biggest FTA negotiation since NAFTA, and this is by far the biggest FTA Korea has ever negotiated. The toughest issues will likely be: agriculture, where Korea currently imposes average tariffs of 52 percent; pharmaceuticals, where we want to ensure the Korean health system offers fair pricing and reimbursement for patented pharmaceuticals from the United States; and automotive barriers, which have limited U.S. sales in the Korean market to only 4000 cars a year (compared to Korean automakers' sales of 800,000 cars annually in the United States). The Koreans have their own negotiating priorities that will be difficult for us: amendments to U.S. anti-dumping laws; more temporary entry visas for Korean professionals to work in the United States; and duty-free entry in to the U.S. for products made in the South Korean-run Kaesong Industrial Complex, just over the border in North Korea.

¶10. (SBU) As is customary in FTA negotiations, here in Korea the opponents of trade - those whose vested interests will be affected, as well as those who oppose globalization or the United States in particular -- have been much more active than the potential beneficiaries, with the result that public support for and opposition to the FTA are running neck-and-neck. The Korean Government recently began an

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outreach campaign to promote the FTA, but public opinion will be hard to turn around. One persistent theme in Korea is that the expiration of Trade Promotion Authority (TPA) in the United States next year imposes an unreasonable time constraint on the negotiations. In response, we have emphasized that there is ample time to negotiate a mutually acceptable agreement before TPA expires on June 30, 2007 (and the Koreans came to this negotiation better prepared than all our other FTA partners), but that given the public concerns about trade and globalization in the United States, it seems overly optimistic to count on Congress extending TPA again. The last time TPA lapsed, it took eight years -- and a change of Administration -- for Congress to renew it. You may be asked about Congressional sentiment toward trade, both with respect to the renewal of TPA and the ratification of any Korea-U.S. FTA that we conclude in the coming months.

Resuming Beef Shipments

¶11. (SBU) The Koreans have technically re-opened their market to U.S. beef, but they have defined SRMs (Specified Risk Materials) so broadly that virtually any finding of bone fragments in beef shipments will lead to a re-closing of the market, making U.S. producers reluctant to resume shipments. We continue to urge the Korean Government to employ a more reasonable definition of SRMs so that U.S. beef shipments become commercially viable and can resume in earnest. Given Nebraska's fame as a beef production center, your ROKG interlocutors will be interested in gauging your level of concern on the beef issue. As a tactical matter, we have generally found that explicitly linking the beef issue to our FTA negotiations has backfired. Public opinion here will not support re-opening the beef market if Koreans believe it was the result of political pressure. Instead, we have stressed

that this decision should be made on the basis of sound science, consistent with global practice and international guidelines.

VISA WAIVER

¶12. (SBU) Presidents Bush and Roh renewed their pledge to bring Korea into the Visa Waiver Program (VWP) when they met in September 2006. The ROK continues to make progress toward joining the VWP - the program whereby citizens of 27 countries are able to travel to the U.S. for business or pleasure without first obtaining a visa - but will not likely join in the immediate future. DHS and State are in the final stages of approving a 'roadmap' of specific steps leading to Korea's inclusion in the program. Embassy Seoul officials meet frequently with Korean counterparts to discuss the current visa refusal rate (presently about 3.5%) which must drop below 3% before the ROK can qualify for the VWP. In addition, the ROK must work closely with the U.S. on travel-related security issues and must have an e-passport in production, which the ROK projects it will have by October ¶2007.

BUSAN APP

¶13. (SBU) Consistent to the Secretary's call for American Presence Posts (APP) in regions outside capital in countries of high value to transformational diplomacy and American interests, Embassy Seoul has proposed to establish an APP in Busan. An APP in Busan would firmly re-establish an official American presence in a burgeoning metropolitan region that is second only to Seoul in demographic, political, and economic significance.

¶14. (SBU) The United States has traditionally maintained a diplomatic presence in Busan, until our Consulate was closed in 1998 for budgetary reasons. Our American Center there had closed two years earlier after sustaining damage during a violent political demonstration. The ROKG as well as Busan city officials have consistently requested that we re-establish a permanent presence in Busan. In fact, since the closure of our facilities, U.S. political, economic, trade, and public diplomacy interests in the Busan region

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have only grown stronger. Busan hosted the 2005 APEC Leaders Meetings, and Embassy officers, including the Ambassador, have visited the region with growing frequency. In response to the concomitant rise in local interest in the United States, in 2004 we established an American Corner within the Busan Municipal Public Library. The same year, we established a seven-person permanent Container Security Initiative team in Busan. Although these measures have been helpful, Embassy believes that an APP will better equip us to promote our growing interests in Busan. We note that China, Russia, and others have permanent consulates there.

¶15. (SBU) The Department has approved the concept for an APP in Busan to be initiated this calendar year, subject to Congressional approval and the Department funding for the initial start-up costs, to include staff salaries, and the leasing of commercial office spaces in downtown Busan.

YOUR MEETINGS IN SEOUL

¶16. (SBU) In scheduled meetings with President Roh, Foreign Minister Ban, Defense Minister Yoon and Trade Minister Kim, the ROKG will be looking for your assessment of the U.S.-ROK relationship and will try to assure you that the ROK is fully committed to the Alliance, the FTA, and to working with the United States to bring North Korea back to the Six Party Talks.
STANTON